

CAI
FN I
- 2000
071

Better finances,
better lives

Budget 2000

Our Children,
Our Future

February 28, 2000

Canada

"Assisting families is not only the smart thing to do, it is the right thing to do... Whether it be further services or income supports, all orders of government must be prepared to do more for our children."

Finance Minister Paul Martin
2000 budget speech

Providing children with a safe and nurturing environment, investing in their health and education, and promoting secure families are all critical to children's sound development and ability to learn.

Governments can help parents meet their children's needs by providing improved income support and services.

This budget helps children in three key ways by:

- increasing the Canada Child Tax Benefit (CCTB) by \$2.5 billion a year by 2004 to more than \$9 billion annually. The maximum benefit for a family's first child will grow to \$2,400 from the current level of \$1,805;
- placing special emphasis on the needs of families with children in the Five-Year Tax Reduction Plan. The CCTB increase, together with general tax reductions, reduces personal income taxes of families with children by an average of 21 per cent by 2004; and

■ doubling the duration of maternity and parental leave under the Employment Insurance Program to one year. This will give parents the opportunity to spend more time with their newborn and newly adopted children.

The federal government is also inviting provincial and territorial governments to join it in developing a national action plan to support early childhood development.

These and other measures build on steps taken in previous budgets to improve the quality of life of Canadian children and their families.

Canada Child Tax Benefit

The CCTB is the Government's primary means for helping families with the costs of raising children. With the enhancements proposed in the budget, about 3.8 million families, including more than 90 per cent of all children in Canada, will receive benefits.

In its past three budgets, the Government invested a total of \$2 billion more a year in the CCTB.

This budget will put an additional \$2.5 billion a year into the CCTB by 2004. As a result, benefits will be higher for all parents currently receiving the CCTB and will be extended more fully to middle-income families.

Raising and Extending Benefits

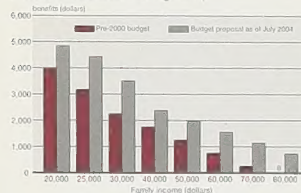
The objective is to increase the maximum CCTB benefit to \$2,400 for a family's first child and to \$2,200 for a second child by 2004. This will be done in several steps:

- First, so that their value is not eroded by inflation, CCTB benefits will be fully indexed to the cost of living starting January 2000.
- Second, in July 2000, the base benefit will be increased by \$70 per child. When combined with increases announced in the 1999 budget, which also take effect in July 2000, this will bring the maximum benefit for the first child to \$2,056 from \$1,805 in July 1999.
- Third, by July 2001, the CCTB supplement for lower-income families will increase by \$200 per child. This increase, combined with ongoing indexation of the entire supplement, constitutes the federal government's third major investment in the National Child Benefit System.

Benefits will also increase for middle-income families.

Low-income families will receive \$6 billion, and modest- and middle-income families \$3 billion, of the yearly total of over \$9 billion by 2004.

CCTB Benefits¹ by Income Level for
a Two-Child Family
(With one child under the age of 7)



¹ Includes additional benefit available for children under 7 years of age for whom no child care expense is claimed.

Cutting Taxes for Families

General Tax Relief

The budget's tax reduction plan – which includes increases in the CCTB as well as extensive general tax reductions – places special emphasis on the needs of families with children. Relative to the current tax system, their personal income taxes will be reduced by an average of 21 per cent, compared to 15 per cent on average for all taxpayers.

A typical one-earner family of four with income of \$40,000 will have its net federal income taxes reduced by \$1,623 a year by 2004 – a reduction of 48 per cent. Next year, its net federal income taxes will be reduced by \$582.

A typical two-earner family of four with income of \$60,000 will have its net federal income taxes reduced by \$1,546 a year by 2004 – a reduction of 27 per cent. Next year, its net federal income taxes will be reduced by \$501.



Doubling EI Child-Related Leave

This budget doubles the duration of employment insurance (EI) maternity and parental leave to one year from the current maximum of six months. This extended leave will be available to parents with a child born or adopted on or after December 31, 2000.

This will be done by increasing parental leave to 35 weeks from the current maximum of 10. Combined with 15 weeks of maternity leave and the standard two-week waiting period, the amount of child-related leave will double.

To make maternity and parental leave more accessible, the budget also lowers to 600 from 700 the number of hours that must be worked to be eligible for leave.

In addition, parents will be able to work part-time while receiving parental benefits, in the same way as regular EI claimants.

Finally, when both parents share the parental leave, only one waiting period will apply rather than two, as is currently the case. Parents will now have greater flexibility in choosing whether one or both spend time at home with a new child.

These changes will benefit some 150,000 families a year at an estimated annual cost of \$900 million.



Children With Disabilities

This budget builds on measures in previous budgets to assist parents of children with disabilities. It proposes:

- a maximum supplement of \$500 to the Disability Tax Credit (DTC) for children with severe disabilities requiring full-time home care by a parent;
- broadened eligibility for the DTC to include persons with severe disabilities who must spend extensive time in therapy each week;
- an increase to \$10,000 from \$7,000 for the maximum annual child care expense deduction in respect of children eligible for the DTC; and
- extension of the attendant care deduction to students.

Canada Health and Social Transfer

Universal health care and quality education are the highest priorities of Canadian families. The Government is putting more money into both through the Canada Health and Social Transfer (CHST).

This budget increases CHST support by \$2.5 billion. Starting in 2000-01, CHST cash will reach \$15.5 billion, almost 25 per cent higher than in 1998-99. This is the fourth consecutive federal investment in the CHST.



The 1999 budget increased CHST funding for health care by \$11.5 billion over five years – the Government's single largest investment ever.

The increase in this budget means that total CHST transfers to provinces and territories will reach an all-time high of almost \$31 billion in 2000-01.

Early Childhood Development


In October 1999, federal, provincial and territorial Ministers of Social Services agreed to work with their health colleagues to move forward quickly on early childhood development.

This budget reiterates the invitation in the Speech from the Throne for all governments to work together and reach agreement on a national action plan by December 2000 to support early childhood development.

Child-Centred Family Law

The federal government plans to work with the provinces and territories to improve family law so that it always puts the needs and best interests of children first.

To facilitate this work, the budget allocates \$29 million to extend for two years federal financial assistance to the provinces and territories for family-related services such as parenting information and skills development, mediation and court-based support programs.



Canadian Opportunities Strategy

The 1998 budget introduced the Canadian Opportunities Strategy to improve Canadians' access to skills and knowledge.

The Canada Education Savings Grant (CESG) has been a particularly successful element of the strategy. It provides a grant equal to 20 per cent of the first \$2,000 in annual contributions to a registered education savings plan (RESP) for children up to age 18.

During the first 25 years of RESPs, \$2.5 billion of savings were accumulated. In the two years since the CESG was introduced, private savings have doubled to \$5 billion.

Government contributions to individual RESP accounts are expected to reach about \$750 million in 2000-01, nearly triple the amount estimated when the grant was introduced.

This budget enhances support for students by increasing to \$3,000 from \$500 the amount of tax-free income from bursaries, fellowships and scholarships, such as the Canada Millennium Scholarships. This will increase federal tax assistance to students by about \$30 million a year.



How Can I Get More Information on the 2000 Budget?

Information is available on the Internet at <http://www.fin.gc.ca/>

You can also obtain copies of this brochure or other budget documents from the

Department of Finance Canada
Distribution Centre
300 Laurier Avenue West
P1 West Tower
Ottawa, Canada
K1A 0G5

Tel.: (613) 995-2855
Fax: (613) 996-0518

Ce document est également offert en français.